



**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the **23<sup>rd</sup> day of September, 2002**

**45-day notice filed by**

**AMERICAN EAGLE AIRLINES, INC.**

Of intent to suspend service between Chicago O'Hare International Airport and Duluth, Minnesota, under 49 U.S.C. § 41717(g)

**Served: September 23, 2002**

**Docket OST-2002-13182**

**ORDER ALLOWING SUSPENSION OF SERVICE**

**Summary**

By this order we are allowing American Eagle Airlines, Inc., to suspend its Duluth-O'Hare service, effective December 1, 2002.

**Background**

Section 41717(g) of Title 49, United States Code, as added by the Wendell H. Ford Aviation Investment and Reform Act for the 21<sup>st</sup> Century, P.L. 106-181 (AIR-21), imposed a residual service obligation on carriers that had received O'Hare slot exemptions prior to the passage of AIR-21.<sup>1</sup> Generally, a carrier providing service between a small hub or nonhub airport and O'Hare on or before April 5, 2000, as a result of having been granted O'Hare slot exemptions, may not suspend that service unless it first files notice under 49 U.S.C § 41719 and the Department determines that the carrier suffered excessive losses, including substantial losses on operations on that route during the calendar quarters immediately preceding submission of the notice.<sup>2</sup> Section 41719 requires the carrier to provide at least 45-days notice of intent to terminate, but allows for a number of exceptions permitting termination with lesser notice.

<sup>1</sup> Even though section 41715(a)(1) of AIR-21 eliminated the High Density Rule at O'Hare, effective July 1, 2002, the residual service obligation remains for an additional year, *i.e.*, through June 30, 2003.

<sup>2</sup> Duluth is classified as a nonhub by the Department of Transportation's *Airport Activity Statistics of Certificated Route Air Carriers*, since it accounts for less than 0.05 percent of all U.S enplanements.

## Application

On August 19, 2002, American Eagle Airlines filed a notice of intent to suspend its scheduled service between Chicago O'Hare International Airport and Duluth, Minnesota, as of December 1, 2002, pursuant to 49 U.S.C § 41717(g).

American Eagle operates three daily round trips between Chicago O'Hare and Duluth using regional jet aircraft. By Order 98-4-21, issued April 21, 1999, and Order 98-9-24, issued September 24, 1998, the Department granted a total of 18 slot exemptions to American Eagle to provide nonstop service between O'Hare and four communities, including Duluth.<sup>3</sup>

American Eagle argues that the Chicago-Duluth market was not profitable even before September 11, but since then losses have increased. The applicant contends that for the Chicago-Duluth service to reach a break-even point, traffic would have to increase by 25 percent, or fares would have to increase by 25 percent, and that neither of these possibilities is realistic. American Eagle reports that it experienced a loss of \$1.1 million on the O'Hare-Duluth route for the year ended June 30, 2002. American Eagle contends that as a result of the events of September 11, its parent company, AMR Corporation, has also reported unprecedented losses.

American Eagle argues that even with the loss of its nonstop O'Hare service, Duluth will continue to receive substantial service to Minneapolis/St. Paul. Specifically, American Eagle states that according to the August 2002 *Official Airline Guide*, Northwest and Northwest Airlink provide a total of nine daily nonstop round trips between Duluth and Minneapolis/St. Paul, including five with large jets, three with regional jets, and one with turboprop aircraft.

No answers in opposition to the application have been filed.

## Decision

We have decided to grant American Eagle's request to suspend service. As we have noted in other orders<sup>4</sup>, even before the events of September 11, American Eagle was reporting significant losses. Our review of American Eagle's system operating results for the year ended March 31, 2002, shows that during this period American Eagle reported operating and net losses in each quarter, and for the year the carrier reported a total operating loss of \$269.2 million and a total net loss of \$241.8 million.<sup>5</sup> American Eagle has also reported losses of \$1.1 million for its O'Hare-Duluth service for the year ended June 30, 2002, and, consistent with recent orders, we find this level of losses to be substantial. Under these circumstances, we find that the American Eagle has demonstrated losses for its O'Hare-Duluth service justifying grant of its request to terminate this service.

<sup>3</sup> The four communities were Duluth, MN, Fayetteville, AR, Montgomery, AL, and Shreveport, LA.

<sup>4</sup> See, for example, Order 2002-3-9.

<sup>5</sup> U.S. Department of Transportation, Uniform System of Accounts and Reports, Schedule P-1.2.

As we mentioned earlier, effective July 1, 2002, AIR-21 sunsetted all O'Hare slot controls. Pre-AIR-21 slot exemptions were granted as a method of improving O'Hare access to small and medium-sized communities such as Duluth. With the lifting of all O'Hare slot controls, communities such as Duluth no longer need the Department's intervention to secure the competitive and service benefits of improved O'Hare slot access. Rather, Duluth can now seek O'Hare service at whatever level the market can sustain.

We also note that Duluth will continue to receive nonstop jet service to Minneapolis/St. Paul by Northwest and Northwest Airlink. While this factor is not determinative in our decision, we are sensitive to the concerns of communities losing air service, and this pattern demonstrates that Duluth will continue to receive substantial service after termination of O'Hare-Duluth service. Under these circumstances, we will grant American Eagle's request to suspend its nonstop service between Chicago O'Hare International Airport and Duluth, effective December 1, 2002.

As a final matter, as we have indicated in past similar circumstances,<sup>6</sup> before American Eagle suspends service, we expect the carrier to contact all passengers holding reservations for flights that will be suspended, to inform them of the suspension and the availability of other service at Duluth, and to assist them in arranging alternate transportation.

This Order is issued under authority delegated in 49 CFR 1.56a(f).

**ACCORDINGLY,**

1. We allow American Eagle Airlines, Inc., to suspend its scheduled air service between Chicago, IL (O'Hare International Airport) and Duluth, Minnesota, effective December 1, 2002;
2. We grant all motions to file late or otherwise unauthorized documents; and

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<sup>6</sup> See, for example, Order 2001-10-6.

3 We will serve copies of this order on the Mayor and airport manager of Duluth,  
and American Eagle Airlines.

By:

**READ C. VAN de WATER**  
Assistant Secretary for Aviation  
and International Affairs

(SEAL)

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